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PHASE II: SOUR CHERRY MARKETING STRATEGY

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BACKGROUND

An effective marketing strategy should not only provide a framework for developing the markets for a product, but also guide an organization through an expansion of product offerings and development of new skills and capacity within the organization. Target markets and timelines may change as this plan needs to align with the realities faced by of sour cherry producers in terms of production capabilities, accessible capital, and career objectives.

As sour cherry production in Saskatchewan is in its infancy there is an opportunity to market consumer oriented products (consumer or demand-pull) as opposed to the traditional producer-driven (producer or supply-push) systems, which lead to commodity pricing and low margin end markets. To benefit from this position producers need to begin from the earliest stages to participate in the collection of information from consumers and must be willing and able to respond and develop mechanisms to respond to changes in consumer demands.

A marketing strategy is most effective when there are a number of qualities that differentiate the product from its competitors. The strongest market differentiation factor for sour cherries is organic certification. Other qualities such as flesh colour and sweetness can be addressed in processing, but in most regions cherries are very difficult to produce organically and the market is willing to pay a premium for a certified organic product. Organic certification is the crucial factor in creating real value in the Saskatchewan sour cherry industry. Without organic certification a price premium can not be expected (See Appendix A for information about organic certification in Canada).

Key to the success of marketing efforts is the critical mass to satisfy the demands of each target market. Champions will be needed to encourage buy-in from producers as markets establish to ensure sufficient crop is available. Shortages are not tolerated by purchasers that can easily procure similar products. Champions will also be required to ensure that producers understand the use of shared capital to maximize profit potential as the industry grows.

One of the structures that may assist producers is a New Generation Co-operative. The New Generation Co-operative program in Saskatchewan has available funding to structure the co-operative including: business plan, organization structure, purchase agreements, marketing and administration, and capital sharing and investment arrangements. The co-operative structure will maximize the marketing potential of

the cherry producers by ensuring the group pursues strategies that protect branding and build strong markets.

Before beginning with the development of a marketing plan, it is important to consider several factors:

1. What are the goals of the proprietors?
    a. Lifestyle
    b. Product advancement
    c. Profit
    d. Economic development
    e. Sector development
2. What are the skills of the proprietors?
    a. Primary production
    b. Marketing
    c. Product development
    d. Communications
    e. Strategy and planning
3. What are the limitations of the product
    a. Yield growth
    b. Shelf life
    c. Harvest duration
4. How do you want this product to be perceived
    a. Commodity – high volume, low value, low margin
    b. Exclusive – low volume, high value, high margin = exclusivity based value
    c. Gourmet – medium volume, high value, medium margin = product characteristic based value

The answers to these questions will ensure that the target market selected matches with the capabilities and capacities of the organization. Further, as the company evolves over time it may be useful to re-consider these questions to make certain that the plan continues to align with what the company has become.

The scope of this project, as discussed at the project meeting concluding Phase 1, was to prepare a strategy that would take the product through the first 5 years of development. This timeline was chosen because production levels are uncertain at this point, and it will be necessary to re-evaluate at that time how many plants are in the ground, whether producers are going to work individually or in some form of co-

operative, and to develop an understanding of the goals and objectives of producers. A 5-year timeline is presented in the body of this report and summarized in Appendix B and will take the product into the early innovation stage of market development. This marketing plan aims to maximize revenue given the potential available sour cherry production in Saskatchewan. Factors including overall yield, lack of cooperation among producers, and emerging markets may delay the practical timing and reach of the marketing plan.

BRANDING

In the development of a market, or consumer demand for a product, it is useful to first establish a brand or name that the product can be associated with. Producers should move quickly to establish a more attractive name for the fruit (and to obtain all the rights to that name) very early in the development of the market. The longer a name is used, the more recognition will develop.

The Carmine Jewel and other U of S sour cherries create a good quality product, but because the product may be perceived to be similar to the Montmorency and Evans sour cherries that are available as a commodity worldwide, branding will be crucial.

Branding based on product differentiation will set University of Saskatchewan sour cherries apart from the others by creating an atmosphere of exclusivity and a guarantee of quality and consistency. In order to maintain any reputation or 'value' that is created through branding it is important that not only the product is consistent, but the branding message and product placement remain consistent. The branding of a product must be reflected by every aspect of the good, from the packaging to the name, and the product quality to the places that it is available. In addition to placing a product based on the answers to the above questions, it is important to remember that product perception is not a placement that is made by the proprietor, but rather by the consumer. The message received by the consumer must always be one of quality, any possibility that the product would be available at a mass marketing outlet, for example, like Wal-Mart, would destroy any value the brand had built and undermine the integrity of the brand.

Effective branding will require considerable time and investment. The co-operative or supplier will need to develop a vision and mission that helps define the brand and then marketing material and spokespeople can be developed that support the image and perception that are targeted for the product.

One example of a way in which image is developed is through the use of a spokesperson. Often in the case of 'farm-based' high end products this will be a farmer (real or created) who can speak to the merits of the

product, the pristine growing conditions, high quality end products and other product attributes that consumers will find attractive. If these are the attributes that the sour cherry supplier(s) choose to adopt as the foundation of their marketing efforts, all marketing materials including product placement should reflect the value of pristine growing conditions, and the highest quality product available.

NEW GENERATION CO-OPERATIVES

Effectively launching a new product provided by a number of producers is not easy. Typically, there are challenges in emerging markets with leadership, consistency in pricing and supply, and standardization of marketing messages. When a new product is launched without consideration of these complex issues, the entire industry can realize decreased profitability and public perception can harm all producers' reputations.

A traditional corporate structure would involve a single company purchasing product from a number of buyers. The company would then package the product, add a margin, and sell the cherries under their own brand. In a situation where there are a large number of growers and the potential for a vast range of market opportunities, it is not likely that this be sustainable because there would be incentives for each producer to sell their own product and recoup the margin added by the corporation. Having many small suppliers would lead to a fractured market in which prices were widely variable and it would be impossible to control quality and price. As a result the product would be difficult to sell as gourmet because it would be available in a number of non-gourmet locations and products.

Often groups of producers choose to market their product collectively through the development of a new generation co-operative ("NGC"). This arrangement protects producers from having to short markets in the event that one or two producers; or one region of producers has a bad year. NGC's also allow producers to target different markets because they have a larger volume of product to offer, they create consistency in terms of grade of product, packaging, pricing and marketing and finally, they allow producers to avoid the margins and fees of distributors. Some examples of successful fruit grower co-operatives include Ocean Spray and Citrus World (Florida's Natural).

According to the Centre for the Study of Co-operatives at the University of Saskatchewan, there are three reasons that a group of producers should consider a co-operative[1]:

[1] New Generation Co-operatives: Resource Materials for Business Development Professionals and Agricultural Producers. http://coop-studies.usask.ca/NGC/resourcematerial/resourcematerialch2.php Accessed: June 8, 2006.

1. When there is something that can be achieved by the group that an individual would not be able to do on their own. Examples of this include the benefits that come from larger volumes of product and the access to new markets that larger volumes facilitate.
2. When a very specific product is involved.
3. When relationship risk is important. Co-ops with their "one member, one vote" structure create a sense of security for many producers and can help build trust among producers.

Unique characteristics of NGC's, as identified by the Centre for the Study of Co-operatives, are that "it involves some kind of processing or transformation; it has a closed membership; it requires fairly substantial investments by the members at the beginning; there is a two-way delivery right signed between the member and the co-op; and, finally, delivery rights are tradable". This document goes on to add that a highly specific product, one in which the next best use has a much lower value, is a good candidate for this type of an organizational structure because it allocates among a number of producers the costs of capital and infrastructure but also guarantees that their will be product available to fill market demands.

STAGES OF MARKET DEVELOPMENT

A product at the retail level is generally priced at two times more than it cost the processor to make it. This is a reflection of distribution costs, retail mark-up/space expenditures, packaging and labeling costs (Appendix C), and marketing expenses. As consolidation in the restaurant and grocery industry continues, dependence upon a few large customers creates additional risk for processors as the large companies move to integrate processors into their supply chains.[2] In general, integration increases volumes, decreases margin, and increases capital cost. Risk is created by reliance on a few key customers that may constantly move to lower cost suppliers. Net margin for the largest fruit and vegetable processors ranges form only five to eight percent.[3]

The sour cherry producers of Saskatchewan do not have the growing capacity to enter in to large markets, nor should this be a target in the long-term as it moves a high quality exclusive product toward commoditization. The gourmet restaurant market is a primary target for Saskatchewan producers for the following reasons:

1. Chefs have greater appreciation for the product differentiators than the general public.

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[2] First Research Industry Profiles: Fruit and Vegetable Processing, p.4
[3] ibid p.9

2. The gourmet restaurant market can be grown at the same rate as production allowing ample supply with careful planning.
3. The gourmet restaurant market creates exclusivity and an up-market image for the Saskatchewan sour cherries.
4. Strong opportunities will exist for co-marketing (think Alberta Beef on the menu).
5. The gourmet restaurant market creates linkages with the chefs who in turn will create recipes that may be available for marketing purposes in other segments.
6. Risk is spread around as typically the gourmet restaurants have different ownership.
7. The market is demanding requiring strict quality, supply, and service standards; when this market is mastered, the producers will be prepared to enter other markets.
8. Entry into the market is relatively easy as Saskatchewan Sour Cheries are a local replacement for an inferior product with little loyalty at a similar price with little distribution cost allowing producers greater return per pound.

Secondary markets involve additional processing and generally distributors and retail mark-ups. Some niche markets offer greater return especially organic, health, and tourism markets, but also have stronger competitors from global sources. The next logical market is the gourmet ingredient market, which is very similar to the gourmet restaurant market, but may require some limited processing. By this stage the producers will need to have greater pitting and freezing capacity (preferably IQF) to meet market demands. It is also likely that the producers will require a distributor either external or internal to properly access this market.

The gourmet ingredient markets will likely push producers toward some end product production as buyers demand more processed product. It is probable that at this stage, most of the end product will be private labeled or jointly branded. End product markets will be based on two factors: accessibility (ease of entry and pull from the market) and profitability. The key question at any point in the developing cherry market is: Are we maximizing the return for a given amount of available production? As shown in Appendix D, sour cherry process map, the development of further processed product increases complexity due to added costs and capital and the probable involvement of outside distributors and marketers. In some situations, the costs of creating finished gourmet product could overwhelm producers while resulting in little or no further financial gain.

A review of products readily available in Saskatchewan at the retail level was conducted to assess the attractiveness of potential further processed product (Product Listing Appendix E). It quickly becomes

evident that organic products properly niche marketed enjoy the greatest return. Pricing of products indicates strong future opportunities may be available to Saskatchewan processors.

Organic markets will preserve differentiation and resist commoditization and allow for niche X niche opportunities that provide the strongest return. Other production strategies including "natural" production vary widely and are moving toward commodity pricing.

The sour cherry producers of Saskatchewan will maximize profitability and growth of their industry by buying into a tied production and marketing strategy through a new generation co-operative or less formalized means with strong leadership. To approach the emerging sour cherry opportunity in Saskatchewan haphazardly will erode the value and reputation of all producers.

INTRODUCTION STAGE: YEAR 1 OR 2 OF PRODUCTION

U-PICK

U-Pick operations are unique in that the customer comes to the supplier as opposed to the other way around. For this reason a successful U-Pick operation requires proximity to an urban center (usually within a 1 hour drive) and sufficient traffic passing by the orchard or coming from the urban center to support the operation. A U-Pick operation is not necessarily a viable option for all producers. The operator of a U-Pick operation will have to serve as a manager, marketer, producer, employer and employee and more.

U-Pick operations also require some thought prior to planting and planning the orchard as growers intent on remaining at the U-Pick stage will be able to space their plantings at closer proximity than those with future plans for mechanical harvests. Additionally, where possible, it is ideal for a facility layout to be developed that provides room and directions for parking, facilitates an efficient through-flow of people and traffic and has sufficient 'curb-appeal' to attract customers from the road.

Advantages of U-Pick operations include cost savings (no harvesting equipment, less labour needs in terms of picking, fewer storage requirements, etc), a direct access to consumers which eliminates costs associated with 'middle men', and often the ability to price as a premium product. Disadvantages include wasted fruit (knocked off, not picked in time, hard to reach places are not picked), costs associated with

liability and insurance, dealing directly with customers and complaints, costs and challenges of advertising, and the need to be close to a large population (usually urban).[4]

While U-Pick operations could set any price they choose for their product, it is important to take into account not only the price needed to generate a profit but also the price of other fresh fruit available at that time and the price being charged by other U-Pick operation. In addition, fresh fruit made available already picked is priced higher to cover the cost of labour.

The more successful U-Pick operations tend to grow into a range of service and product offerings. Developments that compliment U-Pick operations include:

- entertainment for children (playgrounds);
- ice cream stands;
- vegetable and other fruit sales;
- other fruit U-Pick;
- restaurants and gift shops that have menu items the include the fruit available for picking;
- selling processed fruit products; and
- providing access to activities such as hay rides, corn mazes, and so on.

According to Prairie Farm Rehabilitation Administration, "the plantation should be free of weeds, insects and disease. An attractive lot with picnic tables and sales stand selling processed products all add to the pleasant experience required for a successful operation. Growers should consider diversifying their fruit production. Combining several products in the operation provides the opportunity to spread out product supply over the entire growing season. Other enterprises that could be included are U-Pick apples, Christmas trees, strawberries and raspberries."[5]

Costs

Costs to develop a U-Pick operation are minimal. These would include costs of developing signs to direct people from major roadways to the orchard, signs to direct people to parking, picking, etc; costs of developing parking areas and other amenities like seating areas, and a weighing / paying station. Other costs would arise from the construction of public washrooms, picking pails, bags, and so on. This type of operation would likely have similar requirements of tractors and other equipment as other operations of the same size, however, in the case of U-picks, growers may chose not to invest in mechanical harvesters and

[4] http://www.agr.gc.ca/pfra/shelterbelt/shbpub53.htm Accessed May 5, 2006.
[5] http://www.agr.gc.ca/pfra/shelterbelt/shbpub53.htm Accessed May 5, 2006.

simply hand pick or leave un-picked an fruit remaining after the U-pick season. (See Appendix F for more detailed cost information)

Market Size

The size of market demand for a U-Pick operation will depend largely on three factors.

1. Proximity to a larger urban population
2. Proximity to a major roadway
3. Proximity to other U-Pick operations

As a benchmark, saskatoon berry farms near the city of Saskatoon are as big as 40 acres, but that includes production needed to satisfy processing and restaurant demands. Generally, U-Pick orchards are around 10 acres in size.

Prices charged for sour cherries at U-Pick orchards currently in operation range from $7 to $14 for an ice cream pail. With the understanding that a portion of harvest will be lost and that a number of factors including location, weather and facility attractiveness will impact the ability of producers to maximize potential returns, with a 10 acre plot it may be possible to achieve gross profits of approximately yield minus 30% for loss multiplied by $7 per 4L pail.

Access Strategy

There is little strategy involved in accessing the U-Pick market. Location is the key to success and in most cases it is too late for producers to make significant location changes (especially if the orchard has already been planted!). The best access strategy for a producer that has not yet selected a location is to choose wisely in terms of ease of access from a large urban center and major roadways. Secondary markets may be dependent upon regional events and tourism traffic. Other key factors will be clear signage and a good flow of vehicle and foot traffic to make it easy for people to enter, determine where to go and leave once they are finished.

FARMERS MARKET

Farmers Markets provide an excellent opportunity to expose a large number of people to a product. They create access to markets without requiring complicated logistical systems and are an attractive and cost effective place for 'testing' new products. In Saskatchewan, the markets that are most likely to provide a

good level of awareness as well as access to customers that will appreciate 'gourmet' attributes will be the markets in Saskatoon and Regina. The Saskatoon Farmers' Market is now open year round, soon to be located in a new building downtown. The market is currently open 4 days a week. The Regina Market operates twice a week. For both markets, the most popular day is Saturday.

The challenge for producers that chose to market their product through Farmers Markets is that it requires that someone be available every weekend, does not provide any targeting of the product, and in the case of outdoor markets attendance, is vulnerable to weather. If a producer is looking to develop a high end product, a farmers market could be a good place to test product characteristics but is not likely to provide access to the segment of consumers that will be interested in, and willing to pay for a high end, gourmet product.

In order to be involved in a farmers market for more than the few weeks of harvesting, producers will have to either process a product for sale or freeze enough product during those few weeks to have cherries to sell throughout the rest of the year.

Costs

Costs associated with involvement in a farmers market include travel, booth development, and staffing. In terms of production costs, producers may choose to pick by hand or to use mechanical harvesters, which obviously result in an added cost. In general, research indicates that orchards above ten acres should employ mechanical harvesters to achieve stronger economies of scale. Similarly to U-Pick operations, producers who sell their product via Farmers Markets can price product at their discretion, although the most appropriate pricing strategy likely involves a premium price within the range that the majority of farmers market clientele are likely to be able to afford. The costs of logistics will involve the mileage required to move product to market, but more importantly, a portion of transportation and storage costs will depend on the characteristics of the product. With products that require refrigeration or freezing, producers may need to adjust their transportation and storage cost will rise accordingly, including the costs of having this type of storage / display available at the market. (see Appendix F for more detailed cost information)

Market Size

The size of market accessible via Farmers Market sales will be limited by the number of markets that are worth attending. As identified earlier, it is likely that the most attractive markets will be those located in Saskatoon and Regina. These larger urban centers have the population, as well as the ranges of

disposable income that will facilitate a successful farmers market experience for producers. One of the challenges with using farmers markets for product development and consumer feedback is that it is very difficult to target a subset of consumers, and access will be limited to those groups that attend farmers markets. The benefit is that there is an opportunity to gain early feedback, to develop customer lists for annual supply, to develop end products in a small volume setting, and undersupply does not damage long term relationships. Competition will vary depending on the products chosen for market.

In the Saskatoon Farmers' Market, fresh fruit sales are generally limited to peak season. However, because of the short shelf life of the sour cherry, this might not be an option for marketing. The demand for frozen fruit might be higher because of fewer competitors, however, the costs associated with marketing a frozen product as well as the inconvenience of a frozen product for consumers who typically spend at least an hour in the sunny outdoor market would make this less attractive. In comparison, in the area of jams and spreads that are shelf stable, they are easier to display, and less inconvenient for customers but face significant competition from other producers and other fruit products. In the face of this level of competition, pricing will likely have to reflect this competitive environment.

Market size is difficut to assess because of the lack of proper recording processes, sales which occur indirectly (consumers contact vendor directly), and the itinerate nature of some vendors.

Access Strategy

Before a vendor can sell their wares at a farmers market they must first obtain a membership and develop a display or booth. The Saskatoon Farmers' Market is currently only offering memberships to "new and needed producers". Additionally, members must make, bake or grow the products they are selling and members selling any prepared foods must have taken the Food Safe course offered through Public Health to qualify for membership. All members must abide by the Department of Health and the Department of Consumer and Corporate Affairs regulations regarding public health standards and packaging.[6] The Regina Farmers Market requires that all vendors are a member of the co-operative and members must reside and produce their products within a 50 mile area of Regina. Membership applications are reviewed twice a year.

Accessing this market will require an understanding of the things that attract customers to booths at farmers markets, good displays, staff with excellent communication skills and an understanding of the information

[6] www.saskatoonfarmersmarket.com Accessed May 12, 2006

that they can and should be gathering from customers regarding every aspect of the product, from labeling to packaging to flavour. There are few barriers to accessing this market and with the help of a good product and possibly some 'sampling' sessions access should be reasonably uncomplicated.

GOURMET LOCAL

In the early stages of development, local ingredient or restaurant markets are attractive for a number of reasons, not the least of which is that they require fewer and less complex logistical arrangements than other markets. From the perspective of this customer, there are several reasons why they might be interested in a local product, these include:

- freshness
- interest in supporting local economy
- unique products
- 'stories' that go with the product
- service
- organic availability

The reasons that some chefs choose not to use local ingredients is because the supply is not always consistent, and the quantities that they need are not always available at the time when they are needed. Producers wanting to fill this niche will have to be aware of the service demands that accompany this market and will have to have open lines of communication and work hard to develop relationships with the chefs they serve in order to prevent any concerns in regards to quality, quantity or availability of product. This is a market that is not very forgiving and once a chef is 'shorted' or provided with inferior product they are unlikely to waste their time on that supplier again. However, a chef can be an excellent ally for a developing market and if they are impressed with a product are often willing to market it and support it in other areas. While logistics may present a challenge, starting locally will allow producers to 'learn the ropes' in a smaller area before expanding to locations that are not within driving distance. This market can also be addressed through associations including the Saskatchewan Chefs Association. (see Appendix G for a list of local marketing opportunities)

Local restaurants that could be good options in this market are listed below. Preliminary interviews with a number of the chefs at these restaurants indicated a fairly high level of interest, but it is possible that some chefs will not be interested in the product. Also, not all of these restaurants should be targeted

simultaneously, in fact, as production at this stage is likely limited it would be advisable to enter this market only as quickly as the quality, consistency, and customer service that is necessary can be provided.

Saskatoon

- Calories – Chef Remi Cousyn
    - Currently using sour cherries from the University of Saskatchewan
- Truffles – Chef Lee
    - Interested, would like to try fresh, frozen, dried, currently looking for dried
- The Bulk Cheese Warehouse – innovative, little involvement in 'sweets', but potential for incorporation with meat products
- Homestead Ice Cream – consider developing a flavour of ice cream
- Boffins
- John's Prime Rib
- D'reen's

Regina

- Mediterranean Bistro – Chef Sandra
    - Currently using sour cherries, very interested in a local product
- Memories – Chef Brett
    - Very interested in a local product, would need a 1 year product guarantee to put on menu
- Creek In Cathedral Bistro
- La Bodega
- The Willow on Wascana
- Regina Centre of the Arts

Prince Albert / Waskesiu

- Hawood – Sous Chef Greg
    - Interested, would prefer IQF or dried
- Amy's

As producers gain experience they may want to consider working with other local operations so that they can expand their product offerings and take advantage of the logistical systems and relationships that they have developed to create markets for other high-end goods such as fresh produce, mushrooms, and meat.

Phase II: Sour Cherry Marketing Strategy

Costs

The costs associated with a focus on a local, gourmet, restaurant market will center around the time and effort required to develop and maintain good relationships and to provide excellent customer service. The logistics involved with delivering product to a number of restaurants will be more complicated than delivering to farmers' markets, but should not be substantially more costly unless the added time on the road and distance to the client require a capital investment on a truck with refrigeration or freezer capabilities. It is impossible to over-emphasize the importance of good communications and developing relationships with these customers.

Market Size

The demands of each chef will depend on the size of their restaurant and the number (and popularity) of menu items that contain the cherries. Using a round estimate of 1,000 lbs per restaurant per year, and limiting the estimate to the restaurants listed above will result in a conservative estimate of 12,000 – 13,000 lbs per year. This would increase as a result of seasonal specials, and could increase substantially if, for example a restaurant such as Boffins incorporated it as an ingredient in their catering menu.

Access Strategy

Although it may seem overly simplistic, most producers access chefs by simply phoning the restaurant and asking for them – outside of busy times of course. It would be advisable to arrange a time to meet with them, bringing some product for them to test and to use that time to discuss things like how often they would want deliveries, what volume, what form (block frozen, IQF, etc) and of course to discuss price. Another way to develop a relationship with a number of chefs would be to get involved in a culinary institute or culinary association in the province. This may occur through sponsoring a culinary team (providing free product), by getting involved in the culinary school (and thus the next generation of chefs) or by having the product showcased at events like Taste of Saskatchewan or, more appropriately, Feast Of Fields[7] which is a higher end celebration of Saskatchewan food started by Pine View Farms and which involves local high-end chefs cooking with local foods. Some of these markets may require time because not all menus change frequently and will change only once a year, so in order to include a menu item that incorporates cherries may take some time regardless of the chef's level of interest.

[7] http://www.pineviewfarms.com/events_feast.html Accessed May 25, 2006.

EARLY INNOVATION: CONSIDER AT YEAR 3 OR 4 OF PRODUCTION

The timing of when a producer or co-operative is ready to move into this stage of market development will depend on a number of factors including: the amount of product that is available for the market; the continued or growing demands of local markets; the interests of producers and interest in the product. As the markets for the product become more geographically dispersed, it will be increasingly important to develop strong logistical systems to support consistent delivery of the product.

There are four market opportunities identified in this stage. Each of these opportunities requires a different type of skill, different value chains and logistics, but they will all demand consistency, quality and communications/relationships and will not tolerate shorting. For all of these reasons it is critical that a producer / co-operative have a strong understanding of their product, their production capabilities, and their customers before targeting these demanding segments. Experience gained in the local market will be a great asset as the product moves into new stages, however, it will be important for the producer / co-operative to be realistic about their own limitations, and it is likely at this stage, if not before, that the services of a professional or firm with experience in market and brand development as well as strategy development and implementation will be valuable. The Gourmet Regional Market continues the focus of the previous stage by expanding into gourmet markets in larger centers in other provinces. Focusing on a slightly different market, the Gourmet Retail / Catering Market looks at places that serve food on a larger scale, either at events or in a 'take home' form. Finally, the Gourmet Ingredient market develops opportunities for sour cherries to play a role in an existing business. The Gourmet Branded End Product is a very different market than the previous three, requiring the retailing of a finished product as opposed to an ingredient. Unique skill requirements, product specifications, and enhanced supply and logistic systems are necessary to compete in this niche.

GOURMET REGIONAL

This market will be more demanding than a local market in terms of quality and consistency and any time spent servicing the local restaurant industry will provide a valuable education in the needs and demands of this sector. As this product can also be grown in Alberta there will likely be some competition from growers that are more 'local'. A Saskatchewan product can set itself apart through marketing, and customer service. In order to succeed in this distinction, the company will need to develop sophisticated marketing tools including strong promotional 'stories' that chefs can use to enhance customer interest in the menu items featuring that ingredient. Marketing will likely be most successful to high-end restaurants that promote local cuisine and appreciate the unique products, service and stories that come with smaller product providers.

If growers are interested in entering this market but are not interested in the complications that come with it, they may want to consider establishing an alliance with a producer that is already supplying local products to restaurants in the area. While this would involve a portion of profits be provided to the 'distributor' it may be more cost effective than working to develop relationships with chefs in a number of cities and provinces.

Listed below are a number of restaurants known for their use of local and regional ingredients. Some include the names of chefs who are noted for their skillful preparations of local cuisine and who, when contacted for the purposes of this report expressed an interest in sour cherries. The cities listed are all located in Alberta and Winnipeg because it is unlikely that restaurants in Vancouver will promote 'regional cherries' from Saskatchewan when they can purchase cherries produced much closer to home. Additionally, there are a number of sour cherry growers in Ontario that would likely provide substantial competition in any market east of Manitoba.

Calgary

- The Ranche – Chef Damian
    - Interested in ingredient as well as value-added
- River Café
- Thomsons on Stephen Avenue
- Elements
- Oh Canada
- Redwater Rustic Grille
- Muse

Edmonton

- La Ronde - Chateau Lacombe – Chef Jasmin
    - Currently using sour cherries, interested
- Steels Café & Grill

Winnipeg

- Fusion Grill
- The Current
- Tavern in the Park
- Velvet Glove Restaurant
- Mise
- Blaze Bistro
- Just Off Broadway

- Lux Sole
- Pineridge Hollow

GOURMET RETAIL / GOURMET CATERING

This market differs from the Gourmet Regional category in that while these operations may include a sit down restaurant option, they are also successful catering, pick-up, home meal replacement (HMR) businesses, and high-end grocery and wine stores. Two attractive options for this market segment are headquartered in Calgary. Sunterra Market is a family owned operation and according to the website:

> "Sunterra is dedicated to providing superior quality foods to our customers. We are successful because we have complete control over many stages of the production cycle. Our beef and pork come from our farms and ranches and is processed and packaged in our own federally inspected meat-processing plant. Our freshly prepared entrees, soups, salads, pizzas and sandwiches are created by our team of chefs daily. Breads, buns, muffins and desserts are baked fresh each day to provide our customers with the ultimate quality products. We continually strive to develop new recipes, products and services to meet the demands of our customers. In those areas where we do not have total control, we select suppliers whose philosophy on quality and service mirrors our own."[8]

The best approach for initiating a supplier relationship with Sunterra would be to arrange a meeting with Glen Price, a member of the founding family, who is president of Sunterra Quality Food Markets. Marketing to Sunterra will require a solid delivery and quality control plan and an obvious commitment to customer service. If by this time the producer / co-operative owns some high end recipes that use the fruit in a variety of presentations, it may be helpful to offer to work with some of the companies chefs and help them find ways to incorporate this unique and healthy ingredient into their menu offerings. Another way to enter this market may be to suggest that the health benefits and local status of sour cherries be highlighted in the company's bi-monthly newsletter released closest to the time when the product or menu item containing sour cherries is first available.

As Sunterra operates its 9 locations in Calgary and Edmonton only, it is a larger market that will involve only two contacts, this might be attractive for suppliers with only small business experience.

Cookbook Co. Cooks is located in Calgary and in addition to a successful catering business and a small gourmet retail space operates a culinary classroom that hosts some of the best chefs in Calgary. Having sour cherries showcased on the catering menu would be an excellent way to introduce a wide variety of

[8] http://www.sunterramarket.com/st/default.asp?xsection=explore&subsection=Our+Story. Accessed May 9, 2006.

people with high-end tastes to the ingredient. However, it would be even more attractive to expose the chefs that teach the culinary courses to the product, which may be possible through their interaction with company chefs and the cookbook co. cooks menu. The easiest way to enter this market would likely be through the catering menu. As the menu already lists a couple of items that include processed sour cherry products (relish and ketchup), it may be less of a challenge to convince company chefs to test out 'raw' sour cherries. Others in this market segment are located in Winnipeg and Edmonton.

GOURMET INGREDIENT

The gourmet ingredient segment involves selling the product to a processor that will use them in an ingredient that they brand. However, if the producer / co-operative has developed a level of brand recognition of their own, there may be value to both parties in that brand being included in the marketing of the product that contains the cherries (double-branding the product). While it would be possible to use a distributor to service this market segment, it is important to remember that their fees will take a considerable portion of the profits. If the producer/co-operative has developed sufficient expertise in marketing and logistics to facilitate the successful support of this segment, there will be a financial gain in not having to use the services of a distributor.

Savory Island Pie Company is a business operated out of Vancouver that produces high-end pies, usually from organic fruit, which are sold from their retail outlet as well as in the Whole Foods store in Vancouver. Calls to this company have suggested a strong interest in an organic sour cherry product, and may also present opportunities over the longer term for: 1) access to Whole Foods, and 2) support with product development in terms of entering the processed product market.

The attractive combination of cherries and chocolate is not new, but is often correlated with lower quality products (think Cherry Blossoms in the little yellow boxes) than it is with high-end chocolates such as Harden Huyse and Bernard Callebaut. We have not initiated communications with either of these organizations because their size would require substantially more product than will be available for the next few years, however, the high-end nature of their products would be a good match with the organic and high quality elements of these sour cherries.

GOURMET BRANDED END PRODUCT

The development of a gourmet brand requires time, which is why this segment has not been identified in early stages of development. While it may be possible to begin developing brand recognition earlier, the

capital requirements that go along with branding, marketing, and packaging at a sufficient level of quality to ensure the product is perceived as gourmet will be substantial.

There are several characteristics that will contribute to a product being perceived as gourmet by customers. The first is likely availability, or more specifically, the places that sell the product must reflect a level of exclusivity and a high-end status. The product's ability to earn space on the shelves of this kind of retail outlet will be a reflection of the quality of the product, the quality of marketing / packaging, and the quality and consistency of the product.

At this stage the product may not yet be available through retail stores, but a strong website should be promoting its virtues and possibly making it available online in small quantities. Further, a booth at fancy food shows will allow the producer/co-operative to showcase the product, while researching the products and marketing styles of competitor's products. (for a list of Food Shows see Appendix H)

Example of high-end stores that would be good targets in this segment are:

- Whole Foods (more innovative in the products they will try, interest in local products)
- Urban Fare (won't work with companies without a track record, require substantial volumes)
- Sunterra (retail stores)
- Choices (Vancouver-based retailer)
- A number of independently owned centres

Costs

The costs involved with targeting these three gourmet segments will be substantially higher than those from accessing gourmet local markets simply because of the distance to market. In addition to increased costs of transportation, these are sophisticated buyers that will require polished marketing, demonstrated quality and consistency and the assurance that they are not putting their reputations or their products at risk by trying out a new product. Visibility in the community and sector are going to be valuable assets in all of these segments that will require some expenditure of capital.

Gourmet Regional

Gourmet regional markets will require more polished promotional and marketing materials than local gourmet markets. However, it is hoped that by the time there was sufficient product available to move outside of the local gourmet market, the supplier would have developed these materials to an acceptable

level. Other costs will accrue from the need for increased travel on the part of marketers as well as the need for involvement in new communities and marketing initiatives.

Gourmet Retail / Gourmet Catering

These segments are discussed jointly because of the similarity of the approaches required and the costs involved with accessing the markets. Gourmet catering will involve minimal marketing costs because it is essentially an ingredient market. Costs associated with marketing to this segment will involve travel and transportation costs as well as costs of samples and possibly recipe development. There will be an investment of time needed to develop relationships with the buyers.

Gourmet Ingredient

This segment likely involves more catering to the needs of the consumer. Additional costs in the gourmet ingredient market could result from special packaging requirements or additional processing, such as 5+1 packaging where sugar is added before the product is frozen into bulk pails. Similarly to the other segments in this stage, distance to market results in additional travel costs both for the product and for individual(s) responsible for marketing. Depending on the consumer, it is possible that time will be required for recipe development, and that in turn might require the provision of a sample of product to allow the processor to test for suitability and processing traits.

Gourmet Branded End Product

The cost of entering the gourmet branded end product segment is substantially greater than the other markets outlined above for three reasons:

1. Processing costs;
2. Packaging costs;
3. Marketing costs.

In most of the previously identified segments the product was essentially an ingredient that was further processed before reaching the end consumer. While in these cases the third party processor achieved the profits that come with additional processing, they also incurred the costs. Although processing and packaging costs are fairly straightforward, the marketing costs associated with retailing a product can be widely variable. Materials such as display stations, and point of sale marketing materials may be required, not to mention that some retailers charge substantial shelving fees for the opportunity to place a product on their shelves.

MARKET SIZE

The size of these markets is substantial, but all are challenging to estimate with any degree of accuracy because they can be targeted in stages and demand will vary based on a number of uncontrollable factors including flavor preferences, popularity of the food service provider, or the food product and population in the market area.

Gourmet Regional

The size of this market would obviously vary based on the number of restaurants targeted for the product. For the purposes of estimation, if at the early stages of entering this market, two Calgary restaurants and one Edmonton restaurant were targeted, using the usage estimates from Saskatoon restaurants and scaling them up 30% to reflect larger consumer bases and larger seating areas, in one year this market could easily require 3,900 lbs of fruit a year (1,000 lbs per year multiplied by 3 restaurants plus 30%). Later in the development of this market, assuming that all of the restaurants listed above were successfully targeted and maintaining a 30% scaling for size and population (which is likely low), this segment could require more than 22,000 lbs a year (1,000 lbs per year multiplied by 17 restaurants plus 30%). Interviews with chefs in these market areas suggest that at this time they would be willing to pay $2 per pound for the cherries, however, it will be important to re-assess this willingness to pay as the production levels get closer to sufficient to supply this market.

Gourmet Retail / Gourmet Catering

The demands of Sunterra or a similar retail or catering operation were to be added to that, the volume could easily triple as a result of food sales from their 9 locations, and the market would continue to grow as segments were added. Likely, the demands from these locations would be similar to that of a large restaurant (because they don't have sitting space they can serve more people). Based on that assumption, the 9 Sunterra locations could require approximately 11,700 lbs of cherries per year (1,000 lbs multiplied by 9 stores plus 30%).

In terms of the value of this market segment, based on feedback from some of the organizations contacted and the pricing of the products, it would be reasonable to expect a price of approximately $2 per pound for the cherries.

Gourmet Ingredient

Due to the diverse range of potential end products it is impossible to estimate the size of this market segment. However, one of the companies contacted, in this niche, the Savory Island Pie Company, indicated they would likely require 4,800 lbs of product per year for incorporation into their high end pies.

The challenge with the gourmet ingredient market is to ensure that all end-products that the cherries are used as an ingredient in are high-end, gourmet products. The marketing of even one commodity-type of product with this as an ingredient will undermine the 'gourmet' nature of the cherry and could damage the ingredient's reputation and ability to continue to attract high-end consumers.

Gourmet Branded End Product

Again, as with the gourmet ingredient market, because of the number and diversity of products that could be development there is little value in attempting to estimate the size of the market. In reality only the number of products that are successfully introduced will limit the size of this market. For comparison purposes, any of the segments that are available to a gourmet ingredient could be targeted by a gourmet end-product provided that the processing and packaging capabilities could be developed or accessed on a fee-for-service basis.

ACCESS STRATEGY

The access strategy was discussed under the header of each of the segments. Essentially, personal relationships remain the key to success in these markets. The philosophy of Sunterra Markets highlight their appreciation of the value of regional and producer driven products, but also underscores the importance for logistics quality/consistency and service that are beyond reproach. Another attribute that is valuable for most of these markets is that there be a story and a face behind the product (likely less important for the chocolate companies). As outlined before, the further a product moves away from 'home' the more important it is that the logistics, customer service and quality/consistency combination are beyond question.

Gourmet Regional

Access to the gourmet regional market can be initiated in much the same way the local gourmet market is entered – through developing relationships with chefs of restaurants that value local, or regionally produced products and high quality ingredients. Alternatively, if the local market has been well served it might be

possible to obtain introductions to chefs in other cities from local chefs that are consumers. As noted before, this market demands high quality, consistency and dependability. The further a supplier moves away from their home market, the less margin of error they will be provided. Ideally, the chefs and restaurants that are targeted first will be those with a regional and organic preference and as those markets are filled, the targets can become less specialized high-end restaurants. The development of a relationship and the presentation of a product complete with all of the required characteristics – consistency, quality and dependability as well as a good marketing 'story' will be an asset in some of these markets.

Gourmet Retail / Gourmet Catering

Gourmet retail / Gourmet catering markets have their roots in the grocery sector. In this case it may be more productive to speak first with the individual in charge of the deli or meal preparation before going directly to the chef. While many of these operations value high end ingredients and tend to favor organic and regional suppliers, they may be more budget-focused than traditional restaurants because of their experience in the grocery business which operates on very small margins. As with restaurants consistency and quality are crucial, however, in this market, there may also be value in the supplier being flexible in terms of the type of product i.e.) being able to also provide 5+1 packaging. Further, the marketing 'story' mentioned in the gourmet regional market is of less value in these targets because they are selling the quality of the food and the convenience while restaurants are more likely to sell the quality of the food and the ingredients.

Gourmet Ingredient

Accessing the gourmet ingredient market should start with the identification of attractive companies. That is, it will involve market research in the target markets to determine the companies that are selling high end products, that have a preference or demand for organic ingredients, and that appreciate local, regional or national ingredients. Other considerations in ranking or considering which company would be a good partner include the size of their market and the ways that they access the market – for example will they introduce the product in a new market that has not yet been accessed by these sour cherries.

Communications with the selected companies will likely start with the chef or the recipe developers. Introductory conversations held with these individuals indicate that they will request a sample of the product for their own testing and research and development purposes. If, as a supplier, you have already developed some recipes through previous marketing efforts or interactions with chefs, it may be valuable to bring a chef with you to illustrate these recipes in action and show how they result in a superior product.

One of the advantages of entering the gourmet ingredient market is that it may provide an opportunity to work with another organization to research and develop potential gourmet branded end products. Alternatively, the challenge with ingredient markets is that they are less likely to value a high end product and if targets are not chosen carefully, the product will find itself competing with commodity-type ingredients, which is a no-win situation because of the lower cost of those ingredients.

Gourmet Branded End Product

The first step in accessing the gourmet branded end product is a combination of product development and brand development. It is critical to have a product that is high quality if success is to be found in this segment. Brand development will have to involve communication strategies, packaging, marketing materials, and any advertising in terms print and other media. Product development will involve recipe creation, consumer research and eventually product analysis in order to meet the labeling requirements of the Canadian Food Inspection Agency. Ideally, marketing efforts including consumer sampling and media use will create a demand for the product before it is available. This will give the producer some level of power in the retailing process. However, in the more likely event that the product is introduced to consumers after it is available in the store, it may be necessary to negotiate shelving arrangements with each of the retail stores. High end grocery stores may exert less power in terms of charging shelving fees, etc. because they tend to be privately run / singly owned stores (with exceptions including Whole Foods and Choices).

GROWTH: MOVING BEYOND EARLY INNOVATION

Due to the volume of opportunity in the Early Innovation stage, it is unlikely that the predicted level of production growth would be sufficient to fill those demands in even the next 8-10 years. While this makes market opportunities in the Growth and Maturing stages outside of the scope of this project, we have briefly outlined some of the attractive alternatives for these more advanced stages of production and present an opportunity evaluation matrix in Appendix I. Another reason why it may be good to look to the future without developing a strategy that is overly prescriptive in the later stages is that it will allow the constant evolution of the strategy so that it addresses changes in the market, in the producer / co-operative and in the product.

Longer term targets:

GOURMET RETAIL, LARGER CHAINS

- Choices (BC)
- Nutters (Prairies)
- Whole Foods (Toronto, Vancouver, USA)

GOURMET INTERNATIONAL

Gourmet international markets are likely the most fickle and challenging markets to target. Preferences change frequently and only the highest quality of product will successfully enter this segment. The greatest difficult with accessing this segment is that it tends to be an 'invitation only' setting in which high quality, desirable products are pulled into the segment rather than a product pushing their way in.

MULTI-NICHING

As the availability of the product increases, it will be possible to target a greater number of markets. One type of market that becomes attractive at this point is those niches that are un-served or under-served but are not large enough to support the operation on their own. These segments are sometimes described as niche x niche x niche because the products are so highly tailored to a specific demand. One such combination of niches that was discovered in the course of this project was an organic, kosher, high end, chocolate covered cherry. This would be most attractive in areas with sufficiently large Jewish populations to demand the product such as Toronto and Montreal and possibly Vancouver. However, there are limitless combinations of attributes that can be used to fill the demands of underserved populations.

CONCLUSION

There is strong potential for the University of Saskatchewan Sour Cherry varieties to be positioned in the marketplace to maximize return for producers. Producers must be coordinated in their efforts to properly access markets and to ensure consistent quality and supply. A new generation co-operative has been utilized successfully by other fruit growers and is recommended to properly develop and implement production, capital, and marketing strategies.

The Carmine Jewel enjoys strong product differentiation including higher BRIX and red flesh that when combined with organic production provides a strong platform for enhanced demand and selling price. Non-organic production will be more difficult as consumers are likely to access lower priced commodity

alternatives and alter the inherit characteristics by adding colour agents and sugar. Non-organic production fundamentally changes your market position to one of lower value.

The marketing strategy described in this plan seeks to maximize profitability by targeting manageable growth markets that serve as platforms for more diverse marketing and processing activities as the industry evolves. Key to establishing marketing position, is the development of strong relationships through superior quality, supply, and service that will set the reputation of Saskatchewan cherry producers.

MOVING FORWARD / NEXT STEPS

Structure is crucial as Saskatchewan sour cherry producers move forward. Growers need to form and association, whether formally or informally, to review marketing, production strategies and levels, and to decide whether there is interest in creating a new generation co-operative or other structure to forward the development of the Saskatchewan sour cherry industry.

Discussion should address processing capacity and future capital requirements as well as the idea of a "check-off" or a fee paid to the association on a volume basis to further the development of the industry. (this approach is used in the Canadian cattle industry to fund the Beef Information Centre and in the American sour cherry industry to fund the Cherry Marketing Institute) At this time it would be prudent to also outline the expansion plans of growers to estimate as accurately as possible what production levels will be over the next 5 to 10 years, and more importantly, what level of production will be available for marketing by the grower organization.

Formalization of a business plan guiding the group's complete business strategy including production, operations, and financial decisions should be developed through funding available to new generation co-operatives. Branding including name, logo, common look and feel for marketing material should be developed and tested through focus groups and surveys with end consumers and potential commercial buyers.

Communications should also be established with organic certification organizations to ensure that the certification process is well underway. This will help to minimize the time during which producers will not be able to market their product as organic. (Although they will be able to use the term natural in the interim.)

Phase II: Sour Cherry Marketing Strategy

Proactive and planned approaches to marketing will minimize the challenges and frustrations that often come with the development of a new market. Dealing with these issues early in the development of the industry, will provide a stable platform for growth that will facilitate the creation of a premium brand and maximize revenue for producers.

APPENDIX A

CANADIAN GENERAL STANDARDS BOARD

ORGANIC AGRICULTURE STANDARDS

Organic Standards in Canada

The Canadian General Standards Board ("CGSB"), in 1999 published a set of standards for organic agriculture in Canada in 1999.[9] These standards outline the minimum requirements that must be met for products to be labeled as organic in Canada. As these are the minimum standards, certifying bodies may have more stringent requirements for their own certification.

Currently, the Canadian General Standards Board's Organic Standards are not the only standards in Canada, as a number of certifying bodies exist throughout the country each of which have their own production requirements and certification processes. However, it is noted on a number of these organization's websites that the CGSB's Organic standards are currently in the process of being codified to law which would result in a legal minimum standard for organic producers throughout the country. This law may be in force as early as the fall of 2006.

A brief overview of production requirements pertaining to sour cherry production are as follows (for more detailed information see the CGSB website or speak with one of the certifying bodies):

1. An **annual production plan** outlining the details of soil management practices, rotations, fertilization, crop protection, harvest, post-harvest treatments and livestock practices (if applicable) in compliance with this standard.
2. **Separation and clear identification of product** is required for operations using both organic and non-organic production systems.
3. **Records of inputs and production** must be kept and made available for certification bodies.
4. An **organic handling and processing plan** is required to illustrate that all handling and processing activities meet the requirements of organic standards. Including:
    a. Description of handing and processing system
    b. Assurance of organic integrity
    c. Material inputs
    d. Audit trail / record keeping
    e. Pest management
    f. Waste management
5. **Environmental factors** need to be taken into consideration to:

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[9] Source: Canadian General Standards Board.
http://www.pwgsc.gc.ca/cgsb/on_the_net/032_0310/032_0310_1999-e.pdf Accessed June 12, 2006.

a. Minimize spray drift and/or other risks of contamination from neighboring areas. If there is a reasonable risk of contamination chemical residue tests may be required.
b. Monitor the quality of irrigation water,
c. Control soil erosion through good management practices

6. The **products from perennial plants** shall not be labelled or marketed as organic until a 12-month period of cultivation in compliance has expired.
7. **Soil management** must adhere to organic certification requirements.
8. **All synthetic pesticides are prohibited**, except where noted in the standard.
9. **All synthetic herbicides, defoliants and desiccants are prohibited**, except where noted in this standard.
10. **All synthetic growth regulators are prohibited**.
11. The use of **plastic mulch, tunnels, hay wrappers and other plastics** used for crop production or protection is permitted.
12. **Photodegradable plastics** are prohibited.
13. **Buffer zones** or other features must be sufficiently wide enough to prevent the possibility of unintended contact with prohibited substances
14. **Storage containers** should have only approved coatings, paints, or other coverings; bulk or unbound organic products shall be segregated from non-organic products; bulk storage facilities shall be free of all non-organic product residues; storage sites shall be equipped, maintained and cleaned using methods appropriate for the organic products being stored.
15. **Transportation equipment** shall ensure that organic foods are not contaminated with non-organic and shall be cleaned using approved methods.
16. **Processing** shall not involve the use of food irradiation or microwaves on organic food products, or ingredients, and food additives and processing aids may only be used with the intent to maintain:
    a. nutritional value
    b. food quality or stability
    c. composition, consistency and appearance
17. **Labelling** shall only include the description organic, organically grown, organically produced, and/or translation in any language, symbols, alternative spelling, word sets, and phonetic renderings of these words on food labels, if the food products have been produced under a system that meets this standard. The use of the term organic, and similar terms having the same meaning, is permitted on the principle display panel of a food product, only if 95% or greater of ingredients, excluding added water or salt, are obtained from certified sources of organic production in conformity with this standard. The trademark of the certification body of this standard

shall appear only on the principle display panel if 95% or greater of the ingredients are certified organic in accordance with this standard. Products containing 70% or greater of ingredients certified organic in accordance with this standard shall be labeled on the principle display panel as follows:

a. "Contains X% certified organic ingredients," where the actual (X) percent of ingredients certified organic in accordance with this standard is listed or
b. "Contains X% certified organic 'Y'," where the actual (X) percentage of a specified ingredient (Y) constitutes 70% or greater of the ingredients listed as certified organic in accordance with this standard.

Organic Certification in Saskatchewan

A list of the organic certifying bodies in is available at the Saskatchewan Organic Directorate Website. These organizations could differ in their standards, their approach to supporting of members, their membership fees and obviously in their location, producers interested in certification would be advised to contact a number of organizations to determine which is the best fit for their location and type of operation.

Website:

http://www.saskorganic.com/about_organic_farming/sk_certification_orgs.html

APPENDIX B

MARKETING ACTION PLAN

	Strategy	Structure	Production
Year 1	**Product Awareness** • "Official" (brand name) involvement Cherry Festival • "Official" (brand name) involvement in Feast of Fields • Branding, or at least naming • Working with chefs, building relationships • 'Donated' product • Allow for skill development, industry understanding, and education of marketers	**Changes Required** • Development of Working Group with specific responsibilities • Development of New Generation Co-operative Proposal to set structure, marketing budgets, business plan, capital accounts and purchases	**Considerations** • Raising Capital for future stages of development • Number of producers interested in being involved in their process, their production levels and projected production levels and estimate of the volume available for marketing

Year 2

Strategy

Local Push

- Start supplying local markets – likely gourmet restaurants
- Consider Farmers Markets – may not be the most effective method of marketing, weigh against success of previous years' involvement in events
- Initiate regional awareness programs
- Continue to develop understanding of production, costs of production, yield potential, etc.
- Continue with brand development

Structure

Changes Required

- Establishment of subgroups - cost of production, production improvement, marketing/branding, capital decisions
- Establish New Generation Co-op - elect board from members

Production

Considerations

- Capital required for next stages of development
- What production levels are available and what are required to move into next stage of development
- Capital raise required for processed product

Year 3

Strategy

Expanded Local Push

- Expand local gourmet restaurant clients
- Start working with regional gourmet restaurants, if product available
- Continue regional awareness programs
- Continue to monitor production, costs of production, yield potential, etc.
- Continue with brand development
- Evaluate production and potential production levels to set next 2 years of target segments

Structure

Changes Required

- Establishment of marketing relationships - distributor contracted for geographically dispersed markets
- Food research - Probably earlier than this to establish properties in processing and nutrients

Production

Considerations

- Capital required for future stages of development
- Begin work and market research on processed products (if producers are interested)

Year 4

Strategy

Regional Push

- More intensive targeting of regional gourmet restaurants
- Begin communications with gourmet retail / catering operations
- Evaluate gourmet ingredient markets
- Continue to monitor production, costs of production, yield potential, etc.
- Continue with brand development
- Evaluate production and potential production levels to set next 2 years of target segments

Structure

Changes Required

- Consider Nutraceutical research

Production

Considerations

- Capital required for future stages of development
- Test panels and test retailing for processed products

Year 5

Strategy

Local Push

- Enter gourmet ingredient market (if viable)
- Enter gourmet end product market
- Evaluate current market involvement – are market demands filled, what are competitors doing
- Establish strategy for next 5 years taking into consideration production and production projections, market demand, results of nutraceutical research, consumer demands, etc

Structure

Changes Required

- Nutraceutical research based on consumer demand and specifications required

Production

Considerations

- Raising Capital for future stages of development
- Number of producers interested in being involved in their process, their production levels and projected production levels and estimate of the volume available for marketing

Beyond Year 5

Strategy

Local Push

- Start supplying local markets – likely gourmet restaurants

Structure

Changes Required

- Nutraceutical research

Production

Considerations

- Raising Capital for future stages of development
- Number of producers interested in being involved in their process, their production levels and projected production levels and estimate of the volume available for marketing

APPENDIX C

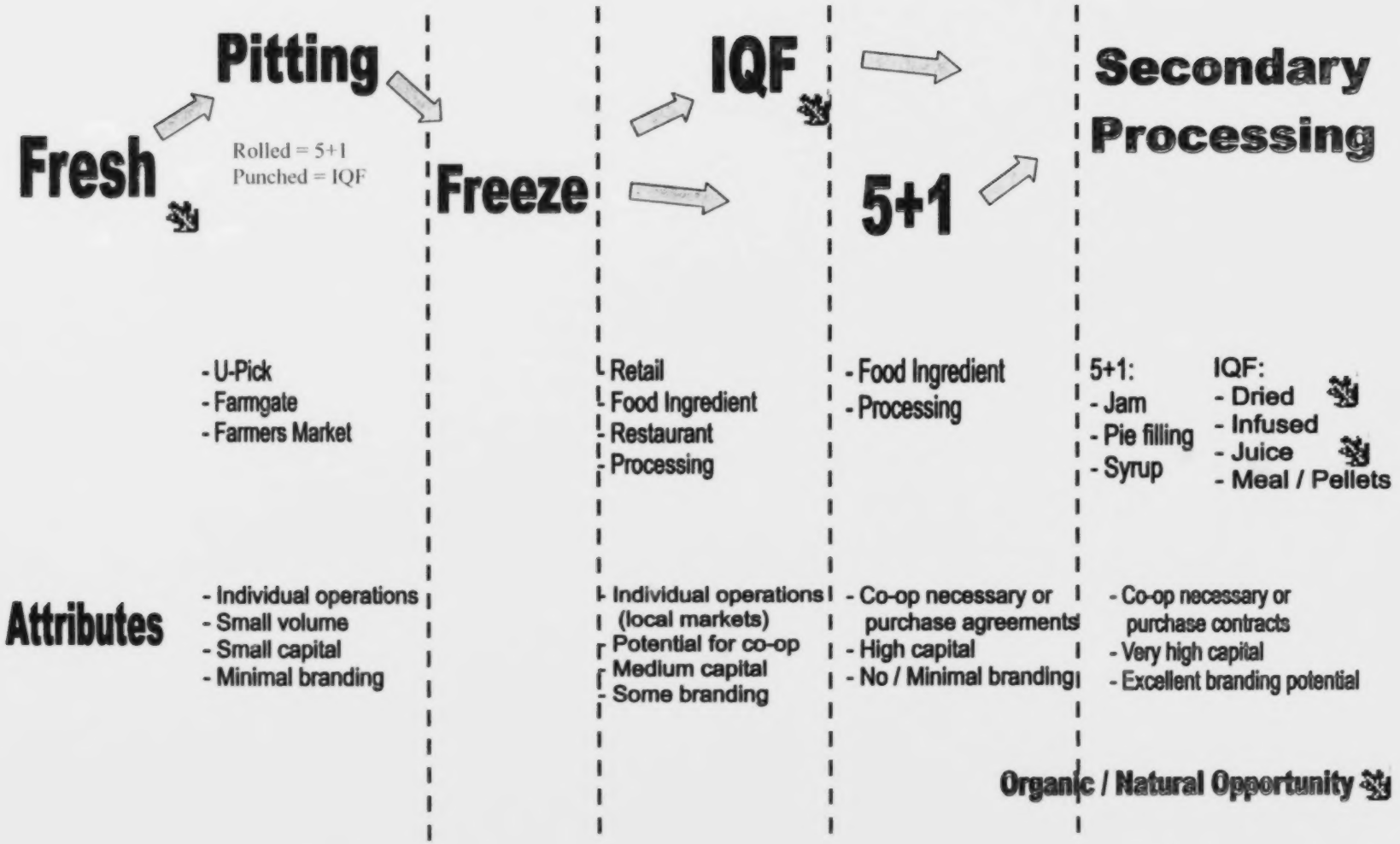
DISTRIBUTION COSTS, RETAIL MARK-UP/SPACE EXPENDITURES, PACKAGING AND LABELING COSTS

Target Markets	Price Unit	Retail Margin	Distribution Cost	Packaging	Production Cost	Primary Processor Profit	Capital Rquirement
Prairie Cherry Spread							
Prairie Cherry Juice							
Prairie Cherry Chocolates							
Bare Fruit Dried Cherries							
Crofter's Morello Cherry Spread							
Farmers Market Strawberrry Jam							
Ingredient Market							
U Pick							

Target Markets	Price	Unit	Retail Margin	Distribution Cost	Packaging	Production Cost	Primary Processor Profit	Capital Rquirement
	Cents	Unit	Assume 50%	Assume 50%		Assume 50%	Assume 50%	
Prairie Cherry Spread	2.72	ml	1.36	0.68	Jar/Label Cost	0.34	0.34	
Prairie Cherry Juice	1.03	ml	0.515	0.2575	Jar/Label Cost	0.12875	0.12875	Roll Pitter
Prairie Cherry Chocolates	14.53	g	7.265	3.6325	Box/tray Cost	1.81625	1.81625	Punch Pitter, molds
Rare Fruit Dried Cherries	4.04	g	2.02	1.01	Bag/Label Cost	0.505	0.505	Dryer
Crofter's Morello Cherry Spread	1.49	ml	0.745	0.3725	Jar/Label Cost	0.18625	0.18625	
Farmers Market Strawberry Jam	1.15	ml	0.575	0.2875	Jar/Label Cost	0.14375	0.14375	
Ingredient Market	0.44	g	0.44	0.33	Bag/label Cost	75 cents per kg	2.55 Per kg	Punch Pitter/IQF Tunnel Harvester
U Pick	0.44	g	0.44	0.44	4 Litre Pails Cost	55 cents per kg	3.85 Per kg	None

APPENDIX D

SOUR CHERRY PROCESS MAP


Fresh
Pitting
Rolled = 5+1
Punched = IQF
Freeze
IQF
5+1
Secondary Processing
- U-Pick
- Farmgate
- Farmers Market
- Retail
- Food Ingredient
- Restaurant
- Processing
- Food Ingredient
- Processing
5+1:
- Jam
- Pie filling
- Syrup
IQF:
- Dried
- Infused
- Juice
- Meal / Pellets
Attributes
- Individual operations
- Small volume
- Small capital
- Minimal branding
- Individual operations (local markets)
- Potential for co-op
- Medium capital
- Some branding
- Co-op necessary or purchase agreements
- High capital
- No / Minimal branding
- Co-op necessary or purchase contracts
- Very high capital
- Excellent branding potential
Organic / Natural Opportunity

APPENDIX E

PRODUCTS AVAILABLE IN SASKATCHEWAN

Product	Price	Organic	Per g or ml	Source	Availability	Country of Origin	Suitable	Rationale
Ocean Spray Craisins	$2.99	No	1.76 per g	Sobeys	Widespread	USA	No	Large Market Firmly Entrenched
Smucker's Cherry Jam	$2.28	No	.91 per ml	Sobeys	Widespread	Ontario	No	Large Market Commodity Driven
Royal City Pitted Cherries	$2.48	No	.62 per ml	Sobeys	Widespread	Turkey	No	Large Market Commodity Driven
Last Mountain's Strawberry Jam	$3.98	No	.88 per ml	Sobeys	Canada	Saskatchewan	No	Large Market Commodity Driven
e.d. Smith Cherry Pie Filling	$3.98	No	.73 per ml	Sobeys	Widespread	USA	No	Large Market Commodity Driven
Prairie Cherry Spread	$6.80	Yes	2.72 per ml	SK Made Store	Specialized/Narrow	Saskatchewan	Secondary Future	Micro Niche Small Market
Prairie Cherry Juice	$3.10	Yes	1.03 per ml	SK Made Store	Specialized/Narrow	Saskatchewan	Secondary Future	Micro Niche Small Market
Prairie Cherry Chocolates	$13.95	Yes	14.53 per g	SK Made Store	Specialized/Narrow	Saskatchewan	Secondary Future	Micro Niche Small Market
Bare Fruit Dried Cherries	$2.95	Yes	4.04 per g	Steep Hill	Specialized/Wide	USA	Secondary Future	Niche Market Larger Quantity
Crofter's Morello Cherry Spread	$3.50	Yes	1.49 per ml	Steep Hill	Specialized/Wide	Ontario	Secondary Future	Niche Market Larger Quantity
Strawberry Jam	$2.00	No	1.15 per ml	Farmer's Market	Specialized/Narrow	Saskatchewan	Initial	Easy Access Small Market
S & F Red Sour Cherries in Light Syrup	$4.99	No	.62 per ml	Superstore	Widespread	Hungary	No	Large Market Commodity Driven
Malkin's Cherry Jam	$3.19	No	.85 per ml	Superstore	Widespread	Canada	No	Large Market Commodity Driven
My Fruit Cherries in Light Syrup	$5.49	No	.69 per ml	Superstore	Widespread	Poland	No	Large Market Commodity Driven
Gourmet Gallery Red Sour Cherries in Light Syrup	$4.99	No	.92 per ml	Bulk Cheese Warehouse	Widespread	Hungary	No	Large Market Commodity Driven
Ingredient Market	$2.00	Yes	.44 per g	To Processors	Specialized/Narrow	Saskatchewan	Primary Future	Easy Access Demanding
U – Pick	$2.00	Mix	.44 per g	Farmgate	Specialized/Narrow	Saskatchewan	Initial	Easy Access Low Labour

APPENDIX F

SOUR CHERRY PRODUCTION BUDGET

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs					
	Labour	$10.50		Total Acres	10
	Mature Yield	20	lbs/shrub		
	Plants	500	per acre	Plant costs	$3.00 per shrub
	Max Price	$2.00	per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$2	$2	$2	$2	$2	$2	$2	$2	$2	$2
Gross Revenue	$0	$0	$0	$80,000	$120,000	$120,000	$160,000	$200,000	$200,000	$200,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$2,100	$3,150	$3,150	$3,150	$3,150	$3,150	$3,150
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$1,201	$1,802	$1,802	$2,402	$3,003	$3,003	$3,003
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$909	$1,364	$1,364	$1,818	$2,273	$2,273	$2,273
Packaging Costs	$0	$0	$0	$5,000	$7,500	$7,500	$10,000	$12,500	$12,500	$12,500
Equipment Operating	$500	$500	$500	$1,500	$1,500	$2,000	$3,000	$3,000	$3,000	$3,000
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$11,310	$15,915	$16,415	$20,971	$24,526	$24,526	$24,526
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$68,690	$104,085	$103,585	$139,029	$175,474	$175,474	$175,474
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	$53,716	$89,111	$88,611	$124,055	$160,500	$160,500	$160,500

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs

Labour	$10.50	Total Acres	10
Mature Yield	20 lbs/shrub		
Plants	500 per acre	Plant costs	$3.00 per shrub
Max Price	$1.50 per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
Gross Revenue	$0	$0	$0	$60,000	$90,000	$90,000	$120,000	$150,000	$150,000	$150,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$2,100	$3,150	$3,150	$3,150	$3,150	$3,150	$3,150
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$1,201	$1,802	$1,802	$2,402	$3,003	$3,003	$3,003
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$909	$1,364	$1,364	$1,818	$2,273	$2,273	$2,273
Packaging Costs	$0	$0	$0	$5,000	$7,500	$7,500	$10,000	$12,500	$12,500	$12,500
Equipment Operating	$500	$500	$500	$1,500	$1,500	$2,000	$3,000	$3,000	$3,000	$3,000
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$11,310	$15,915	$16,415	$20,971	$24,526	$24,526	$24,526
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$48,690	$74,085	$73,585	$99,029	$125,474	$125,474	$125,474
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	$33,716	$59,111	$58,611	$84,055	$110,500	$110,500	$110,500

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs					
	Labour	$10.50		Total Acres	10
	Mature Yield	20	lbs/shrub		
	Plants	500	per acre	Plant costs	$3.00 per shrub
	Max Price	$1.00	per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1
Gross Revenue	$0	$0	$0	$40,000	$60,000	$60,000	$80,000	$100,000	$100,000	$100,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$2,100	$3,150	$3,150	$3,150	$3,150	$3,150	$3,150
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$1,201	$1,802	$1,802	$2,402	$3,003	$3,003	$3,003
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$909	$1,364	$1,364	$1,818	$2,273	$2,273	$2,273
Packaging Costs	$0	$0	$0	$5,000	$7,500	$7,500	$10,000	$12,500	$12,500	$12,500
Equipment Operating	$500	$500	$500	$1,500	$1,500	$2,000	$3,000	$3,000	$3,000	$3,000
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$11,310	$15,915	$16,415	$20,971	$24,526	$24,526	$24,526
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$28,690	$44,085	$43,585	$59,029	$75,474	$75,474	$75,474
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	$13,716	$29,111	$28,611	$44,055	$60,500	$60,500	$60,500

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs

Labour	$10.50	Total Acres	10
Mature Yield	20 lbs/shrub		
Plants	500 per acre	Plant costs	$3.00 per shrub
Max Price	$0.40 per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40
Gross Revenue	$0	$0	$0	$16,000	$24,000	$24,000	$32,000	$40,000	$40,000	$40,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$2,100	$3,150	$3,150	$3,150	$3,150	$3,150	$3,150
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$1,201	$1,802	$1,802	$2,402	$3,003	$3,003	$3,003
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$909	$1,364	$1,364	$1,818	$2,273	$2,273	$2,273
Packaging Costs	$0	$0	$0	$5,000	$7,500	$7,500	$10,000	$12,500	$12,500	$12,500
Equipment Operating	$500	$500	$500	$1,500	$1,500	$2,000	$3,000	$3,000	$3,000	$3,000
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$11,310	$15,915	$16,415	$20,971	$24,526	$24,526	$24,526
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$4,690	$8,085	$7,585	$11,029	$15,474	$15,474	$15,474
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	-$10,284	-$6,889	-$7,389	-$3,945	$500	$500	$500

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs					
	Labour	$10.50	Total Acres	10	
	Mature Yield	20	lbs/shrub		
	Plants	500	per acre	Plant costs	$3.00 per shrub
	Max Price	$0.25	per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25
Gross Revenue	$0	$0	$0	$10,000	$15,000	$15,000	$20,000	$25,000	$25,000	$25,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$2,100	$3,150	$3,150	$3,150	$3,150	$3,150	$3,150
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$1,201	$1,802	$1,802	$2,402	$3,003	$3,003	$3,003
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$909	$1,364	$1,364	$1,818	$2,273	$2,273	$2,273
Packaging Costs	$0	$0	$0	$5,000	$7,500	$7,500	$10,000	$12,500	$12,500	$12,500
Equipment Operating	$500	$500	$500	$1,500	$1,500	$2,000	$3,000	$3,000	$3,000	$3,000
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$11,310	$15,915	$16,415	$20,971	$24,526	$24,526	$24,526
Gross Margin (Rev - Var Costs)	-$11,067	-$3,200	-$2,150	-$1,310	-$915	-$1,415	-$971	$474	$474	$474

U-pick Enterprise

For some producers, u-pick will act as a stop gap measure as production ramps up, while others have focused on this market by designing the orchards for picker access by planting trees closer together. The returns may be higher in selected markets, but there is much greater chance of spoilage due to seasonality and access to markets. The U-picks, will not however, have the same packaging concerns as other producers and this is the highest variable cost incurred. Reefer costs are eliminated and container costs are reduced.

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs	Labour	$10.50	Total Acres	10	
	Mature Yiel	20 lbs/shrub			
	Plants	500 per acre	Plant costs	$3.00	per shrub
	Max Price	$2.00 per lb			

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	40,000	60,000	60,000	80,000	100,000	100,000	100,000
$/lb	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00
Gross Revenue	$0	$0	$0	$80,000	$120,000	$120,000	$160,000	$200,000	$200,000	$200,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$3,150	$4,200	$4,200	$4,200	$4,200	$4,200	$4,200
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$400	$100	$100	$100	$100	$100	$100
Packaging Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment Operating	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$4,650	$5,400	$5,400	$5,400	$5,400	$5,400	$5,400
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$75,350	$114,600	$114,600	$154,600	$194,600	$194,600	$194,600
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	$60,376	$99,626	$99,626	$139,626	$179,626	$179,626	$179,626

The above projection assumes 100% percent production is picked and purchased at $2 per pound. Prices and participation are likely to vary greatly throughout the Province.

Saskatchewan - Sour Cherry Enterprise Budget

10 Acre Orchard

Inputs				
	Labour	$10.50	Total Acres	10
	Mature Yiel	20 lbs/shrub		
	Plants	500 per acre	Plant costs	$3.00 per shrub
	Max Price	$1.00 per lb		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE										
Yield (lbs)	0	0	0	20,000	30,000	30,000	40,000	50,000	50,000	50,000
$/lb	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Gross Revenue	$0	$0	$0	$20,000	$30,000	$30,000	$40,000	$50,000	$50,000	$50,000
EXPENSES										
Variable Costs										
Labour	$4,200	$2,100	$1,050	$3,150	$4,200	$4,200	$4,200	$4,200	$4,200	$4,200
Fertilizer	$5,000	$600	$600	$600	$600	$600	$600	$600	$600	$600
Insecticides	Nil									
Herbicides	Nil									
Fungicides	Nil									
Other Sprays	Nil									
Irrigation	Nil									
Cover Crop Seed	$1,367	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reefer Rental	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Custom Work - Delivery	$0	$0	$0							
Container Costs	$0	$0	$0	$400	$100	$100	$100	$100	$100	$100
Packaging Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Equipment Operating	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
General Variable Costs										
Interest on Operating Capital										
Total Variable Costs	$11,067	$3,200	$2,150	$4,650	$5,400	$5,400	$5,400	$5,400	$5,400	$5,400
Gross Margin (Rev - Var. Costs)	-$11,067	-$3,200	-$2,150	$15,350	$24,600	$24,600	$34,600	$44,600	$44,600	$44,600
Marketing										
Fixed Costs										
Plant Purchases	$15,000					0	0	0	0	0
Land	$5,000									
Deer Control	$22,409									
Buildings & Equipment										
Long-Term Leases										
Depreciation	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040	$8,040
Interest on Loans	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934	$6,934
Property Taxes										
General Fixed Costs										
Total Fixed Costs	$57,383	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974	$14,974
Net Operating Income	-$68,450	-$18,174	-$17,124	$376	$9,626	$9,626	$19,626	$29,626	$29,626	$29,626

The above scenario projects income based on half of the available maximum production picked with an average selling price of $1.00. Lower prices may be required to attract distant consumers. The u-picks, as in other scenarios, are likely to remain organic, or at least chemical free.

APPENDIX G

LOCAL MARKETING OPPORTUNITIES

While working with a chef, a chef's association or a culinary institute is an excellent way to develop recipes, and it is possible to collaborate with marketing firms to develop the necessary promotional materials, there are also organizations that specialize in recipe development and in food display or styling for marketing purposes. One firm that is owned by a food consultant, stylist and cookbook author is Fabulous Food Creations Inc. operated out of Nisku, Alberta. (http://www.fabulousfoodcreations.com/)

Marketing Opportunities in Saskatchewan:

- Feast of Fields - http://www.pineviewfarms.com/events_feast.html
- Bruno Cherry Festival - http://www.carltontrailagsociety.ca/tch_main.html
- Taste of Saskatchewan - http://www.tourismsaskatoon.com/taste/
- Zoogala – Saskatoon Forestry Farm, June 16, 2006
- Premier Food and Wine Festival – TCU Place
  - Winemakers' Luncheon, Presented by E & J Gallo
  - Saturday, September 30, 2006
  - The Willows
- ENCORE – The Saskatchewan Dinner Party

APPENDIX H

SELECTED FOOD SHOWS

The producer / co-operative and certainly the individual(s) in charge of marketing should consider attending food shows that focus on the target markets for this product. The Provincial Government is sometimes able to provide funding for manufacturers interested in attending this type of event. At some point there may also be value in the sour cherry supplier or product manufacturer participating as an exhibitor. Suggested shows include:

- 52nd Summer Fancy Food Show - http://www.specialtyfood.com/do/Home
    - July 9-11, 2006
    - Jacob K. Javits Center, New York, NY
- 32nd Winter Fancy Food Show - http://www.specialtyfood.com/do/Home
    - January 21-23, 2007
    - San Francisco - Moscone Center
- 9th Spring Fancy Food Show - http://www.specialtyfood.com/do/Home
    - May 6-8, 2007
    - Chicago - McCormick Place
- Natural Products Expo West – www.expowest.com
    - March TBA, 2007
    - Anaheim, California
- Natural Products Expo East – www.expoeast.com
    - October 4-7, 2006
    - Baltimore, MD USA

The objective of attending these conferences would be to monitor trends in the natural, organic and health food industries, and also to look for potential strategic alliances, retailers, and customers that would use sour cherries as an ingredient in their products. The challenge will be to determine those companies that would be willing to pay a premium for the product and those segments that will ensure the product is perceived as gourmet and does not enter a commodity market.

APPENDIX I

OPPORTUNITY EVALUATION

Phase II: Sour Cherry Marketing Strategy

The following evaluation questionnaire has been developed as a starting point for the questioning process that should be followed when the sour cherry supplier is considering the opportunity presented by a new market. This set of questions is intended to indicate whether the opportunity fits with the strategic goals and objectives of the company.

1. Does this market fit into the high-end / gourmet target market?	Y / N
2. Do the supply requirements for this market allow for the maintenance of reserves while ensuring that exiting customers are not shorted?	Y / N
3. Does this market fit into existing supply / logistical arrangements or is it outside of existing service areas?	Y / N
4. Does this market fit into the strategic plan for market development?	Y / N
5. Does this market have unique delivery / packaging requirements?	Y / N
a. Does the price cover the additional costs of these services?	Y / N
b. Does providing these services increase internal capabilities?	Y / N
6. Does this market require additional processing?	Y / N
7. Does this market provide any benefits or access to resources that could benefit the company? i.e. research and development expertise, introduction to a new market, a new champion, etc.	Y / N
8. Does this market provide a high profile opportunity? i.e. high visibility without marketing cost, opportunity for co-marketing, enhancement of market position	Y / N
9. Is this a long-term opportunity with a strong purchaser(s)? i.e. will this market have significant opportunity cost associated with volume or timing that may preclude development of long-term relationships with other markets?	Y / N
10. Does the market have a strong history of prompt payment and amicable relationships?	Y / N

If the answer to any of these questions is no, the board or co-operative members should meet to discuss the advantages and disadvantages of this specific opportunity to determine whether it is important that it align in all areas or whether it is an opportunity that should be taken advantage of regardless of challenges it may pose.